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STATE DOCUMENTS

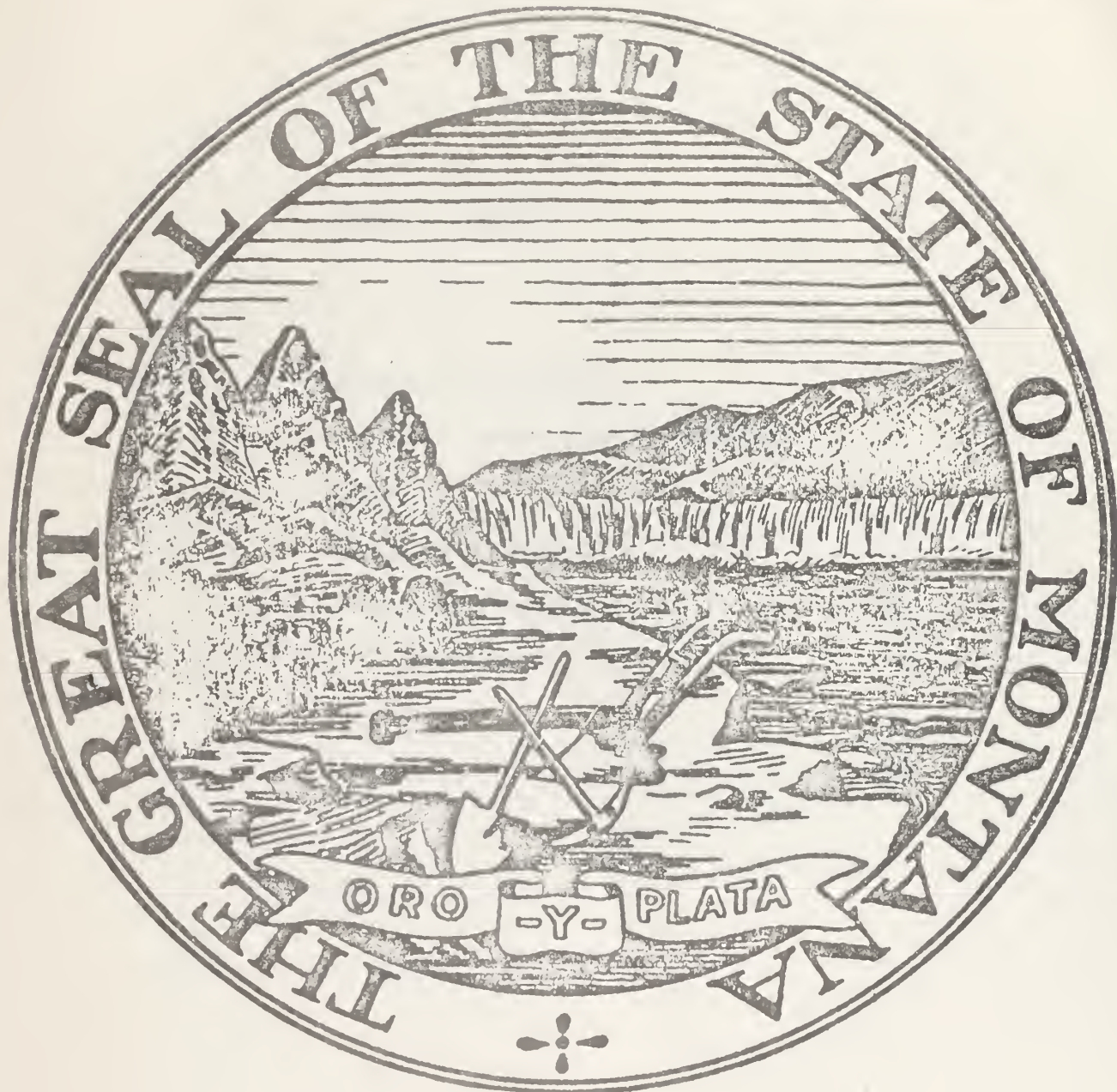
ANNUAL REPORT

FEB 5 1973

E. V. "SONNY" OMHOLT
AUDITOR

STATE OF MONTANA

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TO THE

HONORABLE PORREST H. ANDERSON
GOVERNOR OF MONTANA

FOR THE

FISCAL YEAR ENDED JUNE 30, 1972

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STATE OF MONTANA

OFFICE OF
E. V. "SONNY" OMHOLT

STATE AUDITOR
COMMISSIONER OF INSURANCE
INVESTMENT COMMISSIONER
CENTRAL PAYROLL SYSTEM
STATE FIRE MARSHAL

HELENA, MONTANA 59601

October 15, 1972

The Honorable Forrest H. Anderson
Governor
State of Montana
Helena, Montana

Re: Annual Report

In accordance with the requirements of Section 82-4002, R.C.M., 1947, there is herewith transmitted to you the report of the State Auditor covering the fiscal year ended June 30, 1972.

It is the purpose of the State Auditor, an elective officer, to serve the citizens of this state and our colleagues in the manner and spirit established by the laws and constitution of the State of Montana. This has been done.

In accordance with the statutory responsibility of function as Ex Officio Commissioner of Insurance, Investment Commissioner, Hail Insurance, State Fire Marshal and Director Central Payroll the State Auditor must delegate specific and assigned duties to deputies and assistants possessing technical knowledge and skill commensurate with the tasks at hand. With a public demand for additional services this office stands ready to meet all requests.

This report is respectfully submitted.

Sincerely,

A handwritten signature in cursive script that reads "E. V. 'Sonny' Omholt".

E. V. "SONNY" OMHOLT
State Auditor

EVO:eh
Encl.

PRINCIPAL ADMINISTRATIVE OFFICERS

E. V. "SONNY" OMHOLT	State Auditor
Roy L. Phelps	Deputy State Auditor
William E. Smith	Chief Deputy Commissioner of Insurance
Harry H. Jones	Deputy Investment Commissioner
Maurice W. Smith	Executive Director Hail Insurance Board
Kathleen M. Behm	Director Central Payroll *
Elizabeth B. Hallowell	Administrative Assistant

Principal Offices

Capitol	Helena, Montana	59601
* 502 Lamborn	Helena, Montana	59601
** Sam W. Mitchell Building	Helena, Montana	59601

AUDITOR

The office of Montana State Auditor is an elective office first created in 1885 by the Montana Constitution and continued under the newly written Montana Constitution.

In addition to supervising the auditing of the State's fiscal operations the State Auditor is also

Ex Officio Commissioner of Insurance

Ex Officio Investment Commissioner

Director of State Central Payroll

Director Board of Hail Insurance

The State Auditor is accountable for all warrants issued through the state's central accounting system; auditing of state warrant expenditure computer runs, auditing of cash in State Treasury transactions; distribution of warrants to appropriate payee and proper recording and storage of all cashed state warrants.

PRINCIPAL GOALS

Principal goals of the office are the maintenance of a system of checks and balances to enable the State Auditor to suggest plans for improvement and management of public revenue; as well as to provide a fiscal information center for the use of all other state agencies, state departments and the general public.

MAJOR ACCOMPLISHMENTS - AUDITOR

The major accomplishment of the office of the State Auditor remains as striving for maximum productivity and efficiency in all programs in order to better serve the public and State of Montana.

FINANCIAL RECAP

FISCAL MANAGEMENT & CONTROL

Personal Services	\$ 86,249.62
Operations	141,402.56
Capital	595.84
Grants & Benefits	-0-

\$228,248.02

Source of Funding \$228,382.00

ADMINISTRATIVE SUPPORT

Personal Services	\$ 51,426.78
Operations	635.04
Capital	-0-
Grants & Benefits	-0-

\$ 52,061.82

Source of Funding \$ 52,700.00

PRINCIPAL GOALS - INSURANCE DIVISION

The principal goal of the Montana Insurance Department is to provide the individual Montana consumer of insurance products with the greatest possible protection while regulating the business in such a way as to encourage the companies to make essential insurance coverage readily available to the public.

MAJOR ACCOMPLISHMENTS - INSURANCE DIVISION

A total of \$6,115,750.64 was collected in fees and taxes during the 1971-72 fiscal year by the Montana Insurance Division. A breakdown of the collections is attached hereto and reflects the fees and taxes paid to this department by the insurance industry, an increase of twenty-two percent the past year.

The affairs, transactions, accounts, records and assets of two domestic and nineteen foreign insurance companies were examined during the recent fiscal year. The examination staff processed forty-six applications by insurers desirous of doing business in Montana and found thirty-five acceptable, bringing to 842 the number of insurance companies now under the jurisdiction of the insurance department. During the same period, five companies withdrew from the state and five mergers were processed.

For the year, 924 agent qualification examinations were given with 159 of these being recorded at the Billings testing site. Included in the above figure were 54 variable annuity examinations.

One thousand two hundred and one written insurance complaints and requests for information were received, reviewed and concluded during the year. It is estimated the insurance department - policyholders service division - receives an additional 2,000 personal and telephone inquiries annually on matters pertaining to insurance claims, rates, policies, agents and companies.

Eighteen thousand four hundred and seventy eight licenses, including renewals, were issued during the 1971-72 fiscal year.

Approximately seventeen thousand three hundred ninety-eight policy forms and an estimated seven hundred fifty individual rate filings were received, reviewed and recorded. In addition two thousand one hundred twenty six special or bureau filings affecting a majority of licensed insurance companies were processed.

SERVICES PROVIDED

1. Information and assistance to the general public and insurance industry on matters pertaining to insurance claims, rates, policies, agents and companies.

2. Collection and allocation for distribution of premium taxes from specified insurance coverage to eligible firemen relief associations and police pension plans.

3. State bonds and/or insurance certificates are reviewed to verify coverage and countersignature of licensed agents of the surety company involved and also to confirm the authority of the company official to execute the bond as Power of Attorney. This service is performed for the following state departments:

Highway
Fish and Game
Administration
Agriculture
Livestock
Revenue
Public Service Regulation

4. Each year after renewals have been processed an individual listing is prepared and mailed to each agent, with the exception of individuals licensed for life only, advising him of how his license appears on department records and listing all insurers who have renewed his appointment for them for the coming year. This service has been offered only a few years and is of particular value to the agent, due to the fact that the only license he holds is a permanent license and unless he has been notified by the insurer, there is some question as to which companies have renewed his appointments.

OBJECTIVES

As the Montana Insurance Division is not essentially a "preventive" agency, our objectives would relate primarily to furnishing additional services and expanding those already provided. The people affected by the efforts of the insurance division of the office of the State Auditor are, for the most part, Montana citizens who produce and consume products of insurance.

FINANCIAL RECAP - INSURANCE DIVISION

Personal Services	\$100,625.56
Operations	36,471.49
Capital	<u>468.00</u>
<u>Total Expended</u>	<u>\$137,565.05</u>

Source of Funding

General Fund	<u>\$139,200.00</u>
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INSURANCE DIVISION

Fiscal year ended June 30, 1972

Collections for the period July 1, 1971 thru June 30, 1972 \$6,115,750.64

Detail of Receipts

License fees:

Solicitor	\$ 1,502.00	
Adjuster	1,170.00	
Appointment (other than life)	42,770.00	
Temporary	382.00	
Non-resident	6,054.00	
Vending	- -	
Fraternal agents	115.00	
Life and/or disability agents	38,815.00	
Agent's qualification exam	9,069.00	
Other than life agents	1,780.00	
Surplus line agents	910.00	
Miscellaneous	<u>3,508.00</u>	\$ 106,075.00

Company filing fees:

Motor club	\$ 210.00	
Certificate of Authority	232,420.00	
Articles of incorporation	865.00	
By-laws	565.00	
Certificate under seal	156.00	
Filing first papers	12,155.00	
Service of process	460.00	
Examination expense	200.00	
Filing annual statements	<u>20,100.00</u>	267,131.00

Taxes:

Fire marshal	129,230.84	
Property and casualty and miscellaneous premium	2,920,850.17	
Marine premium tax	351.18	
Life and disability premium	2,665,544.61	
Miscellaneous tax and fees	448.50	
Retaliation tax	<u>26,119.34</u>	5,742,544.64

Total - License and Tax Receipts \$6,115,750.64

Distribution of Receipts

Distribution of all monies is made to the Volunteer Fireman's compensation act; the fire department relief associations; police retirement and training funds and the State of Montana general fund.

STATE OF MONTANA
E. V. "SONNY" OMHOLT
State Auditor
Commissioner of Insurance
Helena, Montana

INSURANCE DEPARTMENT COLLECTIONS FOR THE FISCAL YEAR ENDING JUNE 30

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Agent, Adjuster, Solicitor and Misc. License Fees	\$ 101,165.08	\$ 120,955.00	\$ 91,152.55	\$ 89,746.06	\$ 90,003.73	\$ 89,444.00	\$ 91,092.50	\$ 91,037.50	\$ 99,760.09	\$ 102,890.00	\$ 106,523.50
Company License and Filing Fee	48,301.60	43,225.30	59,897.38	47,195.52	55,245.91	51,316.34	56,417.91	56,536.57	253,805.56	261,364.54	267,191.00
Fire Material Tax	27,511.74	27,313.12	27,817.81	28,721.91	29,880.99	31,860.55	29,971.99	34,902.42	66,951.89	72,487.25	129,230.84
Property, Casualty & Misc. Premium Tax	1,182,051.94	1,290,619.59	1,331,565.13	1,376,939.21	1,480,520.97	1,605,156.69	1,643,102.73	1,786,329.06	2,238,752.59	2,483,285.95	2,920,850.17
Marine Premium Tax	243.93	256.01	295.95	159.73	216.54	234.71	268.94	456.76	617.23	295.08	351.18
Life and Disability Premium Tax	1,086,352.74	1,154,144.40	1,303,425.77	1,388,658.09	1,460,356.80	1,583,303.67	1,643,097.61	1,774,334.12	2,245,201.24	2,445,507.74	2,665,544.61
Retaliation Tax	<u>39,937.49</u>	<u>40,457.62</u>	<u>40,083.28</u>	<u>45,818.06</u>	<u>50,827.99</u>	<u>54,635.97</u>	<u>53,555.01</u>	<u>79,020.53</u>	<u>26,610.98</u>	<u>17,594.81</u>	<u>26,119.34</u>
TOTAL	\$2,485,564.52	\$2,676,971.04	\$2,854,237.87	\$2,977,238.58	\$3,167,052.93	\$3,415,951.93	\$3,517,506.69	\$3,822,616.96	\$4,931,699.58	\$5,383,425.37	\$6,115,750.64
Number of Companies Authorized to do Business in Montana	563	564	582	620	648	651	707	756	805	823	842

PRINCIPAL GOALS - INVESTMENT DEPARTMENT

The goal of the office of the Investment Commissioner is towards increased efficiency for the protection of investors in securities against the imposition of nefarious and unsubstantial schemes and the securities based upon them.

The office of the investment commissioner, which is under the general supervision and control of the State Auditor, the ex officio investment commissioner, is charged with the administration of the provisions of the Securities Act of Montana. Said act provides for the registration of securities which are offered for sale in Montana; also, the registration of securities salesmen, broker-dealers and investment advisers.

MAJOR ACCOMPLISHMENTS

Investigations by the department, as well as the exchange of information with securities commissioners of other states and the United States Securities and Exchange Commission, have caused numerous dubious offers and sales of securities in Montana to be halted. In several of these instances, where sales had been effected, the Department gained full restitution for the Montana investor. It is also well to mention the department's liason with other states and the United States Securities and Exchange Commission has also resulted in severly curtailing or stopping these same sales and offers of securities in other states as well.

OBJECTIVES

The investment commissioner contemplates keeping a closer liason between securities administrators of other states and the United States Securities and Exchange commission. This will result in valuable data being exchanged, including information in respect to promoters and their activities and backgrounds of applicants for registration as securities salesmen, broker-dealers and investment advisers. This could entail travel outside the state to attend conferences sponsored by the Securities and Exchange commission and the National Association of Securities Administrators.

The investment commissioner contemplates setting up the processing of the annual renewal of securities salesmen registrations by means of IBM listings made up from IBM cards. Each salesman's individual registration would also be reproduced from these same IBM cards.

Securities of 376 companies were initially registered during the 1971-72 fiscal year having a total dollar valuation of \$93,734,456.00, as compared with 240 companies initially registered during the 1970-71 fiscal year having a total dollar valuation of \$97,749,072.

During the year the office also registered 18 broker-dealers and 1 investment adviser. The office also processed 1,030 securities salesmen registrations.

INVESTMENT DEPARTMENT

Fiscal Year Ended June 30, 1972

Number of Issuers Initially Registered	376
Aggregate Offering	\$93,734,456.00
Number of Broker-Dealers Registered	18
Number of Investment Advisers Registered	1
Number of Securities Salesmen Registered	1,030

INVESTMENT DEPARTMENT

Fiscal Year Ended June 30, 1972

Collections for the period July 1, 1971 through June 30, 1972	\$128,305.50
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Detail of Receipts

Withdrawal fee	\$ 3,200.00
Filing Annual Statement	120.00
Miscellaneous fees	100.00
Issuers	99,385.50
Broker-Dealers	14,500.00
Investment Advisers	700.00
Salesmen	<u>10,300.00</u>
<u>Total</u>	<u>\$128,305.50</u>

FINANCIAL RECAP - INVESTMENT DIVISION

Personal Services	\$27,982.47
Operations	4,355.17
Capital	198.04
Grants and Benefits	<u>-0-</u>
<u>Total Expended</u>	<u>\$32,535.68</u>

Source of Funding

General Fund	<u>\$33,000.00</u>
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PRINCIPAL OFFICERS - HAIL INSURANCE BOARD

<u>OFFICER - TERM OF OFFICE</u>	<u>Home Address</u>
Maurice W. Smith, Administrative Director	1516 East Sixth Avenue Helena, Montana
Adrien R. Long, Chairman 4-18-69 to 4-18-75	Wolf Point, Montana 59201
Thomas A. Deveny, Member 4-18-71 to 4-18-74	Forsyth, Montana 59327
James W. Stephens, Member 4-18-70 to 4-18-73	Dutton, Montana 59433
Alex B. Stephenson, Member Ex Officio	402 Monroe Avenue Helena, Montana 59601
George T. Lackman, Member Ex Officio	2023 Eighth Avenue Helena, Montana 59601

PRINCIPAL OFFICE

502 Lamborn, Helena, Montana 59601

PRINCIPAL GOAL - HAIL INSURANCE

To give Montana grain farmers protection against losses from hail at the lowest possible cost.

ACHIEVEMENTS

Our success has been proven by the number of farmers taking part in the hail insurance program.

The relationship with the independent hail insurance companies has greatly improved. Their cooperation is most beneficial in adjusting joint loss claims.

PROGRAM COST SUMMARY - HAIL INSURANCE

	Fiscal Year 1971-72	Fiscal Year 1970-71	Increase
Hail Insurance	\$ <u>967,169</u>	\$ <u>898,185</u>	\$ <u>48,984</u>
<u>Total Program</u>	\$ 967,169	\$ 898,185	\$ 48,984
Personal Services	\$ 38,294	\$ 32,010	
Operating Expenses	19,651	16,673	
Capital	448	207	
Grants and Transfers	<u>908,776</u>	<u>849,295</u>	
<u>Total by Object</u>	\$ <u>967,169</u>	\$ <u>898,185</u>	
Earmarked Revenue Fund	\$ 58,393	\$ 48,890	
Agency Fund	<u>908,776</u>	<u>849,295</u>	
<u>Total Funding</u>	\$ <u>967,169</u>	\$ <u>898,185</u>	

PERFORMANCE INDICATORS - HAIL INSURANCE

Factor	Fiscal Year 1971-72	Fiscal Year 1970-71
Policies issued	2,576	3,078
Losses paid	469	418
Days with hail	63	49

ADMINISTRATION - HAIL INSURANCE

Services Provided - Hail insurance at a minimum cost to all Montana grain farmers. Any farmer who applies to his county assessor for hail insurance with the state hail fund and who meets the requirements of not having more than one year's delinquent premium against his real estate is issued a policy. This results sometimes in a very high liability in certain areas which greatly increases the risk assumed by this board and makes an ample reserve fund vitally necessary to pay all losses in full.

Objective - The objective of the State Board of Hail Insurance is to give our farmers the best service possible by having their losses adjusted promptly by competent adjusters and paying proven losses in full.

Specific target group is the grain farmers of Montana.

ACHIEVEMENTS - HAIL INSURANCE

The success of the Hail Insurance program depends on a satisfied policy holder. This has been achieved by our past services and proven by a steady growth of business. Relationship to the independent hail insurance companies has been improved. Their co-operation is beneficial to a satisfactory loss adjustment.

In the fifty-four years of existence, this agency has been self supporting.

FIRE MARSHAL PROGRAM

GOAL

Upgrade fire safety within the State of Montana and reduce loss of life and property from fire and explosion.

OBJECTIVES

Improve life safety and building safety in all State institutions, hospitals, nursing homes, day care centers, hotels, public assembly, business and industrial buildings from fire and explosions.

Promulgate rules as needed for public safety from fires and require conformance to rules.

ACHIEVEMENTS

Carried out an annual inspection program of all institutional facilities, hospitals, nursing homes and State buildings recommending corrective measures. Upgraded the life safety of the hotels. Improved arson investigations. Unsafe conditions are now corrected at most flammable liquid bulk tanks. Started a survey program of all school buildings.

Factor	Fiscal Year 1971-72	Fiscal Year 1970-71
Arson Investigations	162	98
Hotels surveyed (estimate)	80	200
Building plans checked	149	137
Inspections	901	704

PROGRAM COST SUMMARY - FIRE MARSHAL DIVISION

Personal Services	\$ 55,350.17
Operating Expenses	35,246.64
Capital	<u>1,249.44</u>
<u>Total</u>	<u>\$ 91,846.25</u>

<u>Source of Funding</u>	<u>\$ 96,000.00</u>
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PRINCIPAL GOALS - CENTRAL PAYROLL DIVISION

1. To install and operate a uniform central payroll system for all state agencies;
2. To provide for uniform paydays for state employees; and
3. To establish and maintain a payroll roster for all persons employed by the agencies for the State of Montana.

MAJOR ACCOMPLISHMENTS

1. PAYROLL STATUS FORM

Began the use of the PAYROLL STATUS FORM for new employees, re-hired employees, transferred employees and other payroll changes. This new form replaces four separate payroll forms.

2. CONVERSION TO ONE PAYROLL SYSTEM

Conversion to a statewide bi-weekly system began. April 1, 1973, has been scheduled as the date of completion.

3. UNIFORM PAYDAYS

The Central Payroll Division has maintained a uniform payday for employees on the bi-weekly payroll system since its beginning, July 1, 1969. Payroll warrants have always been available at the State Auditor's office on Thursday every other week for distribution by each agency.

MAJOR RECOMMENDATIONS

1. INCREASE STAFF OF CENTRAL PAYROLL DIVISION

The Central Payroll division has operated with three employees since July 1, 1969. Additional personnel are needed to properly carry out the function of a statewide payroll system.

2. SELF-SUPPORT BASIS

For the sake of simplifying both agency budgeting and Central Payroll billing procedures, we would recommend the Central Payroll division be self supporting and bill each agency for payroll services on a per employee per month basis.

3. ONE INSURANCE CARRIER FOR STATE EMPLOYEES

One insurance program for all state employees would be beneficial to both the State of Montana and its employees.

OBJECTIVES - CENTRAL PAYROLL DIVISION

1. Perform payroll function;
2. Provide information for agency and state use in the area of personal services; and
3. Perform as many payroll related functions for the Agencies as possible.

